

**DRS EMPLOYER ADVISORY COMMITTEE
M I N U T E S**

June 26, 2003

DRS Members Present:

Dave Nelsen, Chairperson.

Additional DRS Staff Present:

Cathy Cale, Public Employees' Retirement Systems; Rachel Nesse, Public Employees' Retirement System Plan 3 Project; Michelle Hardesty, Employer Support Services; Brian Berghoff, Employer Support Services; and Jeralyn Faulhaber, Administrative Services.

Employer Members Present:

Cindy Lee, King County; Joanne Amrine, Chehalis School District; Chandra Winston, Port of Seattle; Susan Sparks, Human Resources Information Systems Division (HRISD); Pamm Scott, Bellevue Community College; Sally Spangler, Washington State Patrol; Marcia Moore, Central Kitsap School District; Nancy Savage, Pierce County; Rachel Brock, University of Washington; John Goetz, Center for Information Services; Tom Gaines, Washington School Information Processing Cooperative (WSIPC); and Liz Hoffman, Department of Social and Health Services.

Employer Members Not Present:

Reagan Ulrich, Chelan County PUD 01; Mary Christle, Educational Service District; and Michelle Mortimer, City of Olympia.

Additional Employer Attendees:

Gail Davila, City of Bellevue; and Sherry Smiley, King County Metro.

Agenda Items:

- | | |
|---|---|
| • Welcome and Announcements
<i>Dave Nelsen</i> | • CEM Benchmarking Presentation
<i>Mark Feldhausen</i> |
| • Legislative Summary
<i>Dave Nelsen</i> | • Budget Impacts and Future Employer
Direction |
| • New Contribution Rates
<i>Dave Nelsen</i> | • <i>Dave Nelsen</i> |
| • PERS 3 Update
<i>Rachel Nesse</i> | • Open Discussion
<i>Committee</i> |
| | • Agenda Items for Next Meeting
<i>Committee</i> |

WELCOME AND INTRODUCTIONS

Cathy Cale introduced herself as the new DRS PERS Plan Administrator. Cathy is taking over the position previously filled by Jack Bryant. Before coming to DRS, Cathy worked at the State Auditor's Office, and then as the DRS Fiscal Manager for the last three years. She invited employers to feel free to contact her with any questions or if there was anything she could assist them with.

Chair Nelsen announced the departure of Brigitte Hoopes, one of the original members of the Employer Advisory Committee. He recognized Brigitte for her active support and valuable input on the Committee over the years. Chair Nelsen has let the Association of Washington Cities know of the vacancy and looks forward to welcoming their new representative.

LEGISLATIVE SUMMARY

Dave Nelsen, Chairperson, provided the final 2003 Legislative Session report of pension-related bills. This information can also be accessed on the DRS Web site at:

<http://www.drs.wa.gov/leg/index.htm>.

JCPP Legislation

EMTs into LEOFF - SHB 1202

This legislation allows firefighter emergency medical technicians (EMTs) to transfer Public Employees' Retirement System (PERS) Plan 1 or Plan 2 service credit to LEOFF Plan 2 if, while employed for a city, town, county or district, the EMTs duties were transferred from another department of a city, town, county, or district to a fire department.

Disability Board Membership - SB 5090

This legislation clarifies that LEOFF Plan 2 members may serve on LEOFF Plan 1 disability boards provided that they are elected by those LEOFF 1 members and retirees who are subject to the jurisdiction of the board.

Plan 3 Member Contribution Rates - HB 1206

This legislation provides members of PERS Plan 3, SERS Plan 3, and TRS Plan 3 an annual window in which they could change their member contribution rate. The first rate change window will be in January 2004. DRS has not yet received IRS approval to provide the option to members of PERS 3 or SERS 3.

\$150,000 Death Benefit - HB 1207

This legislation provides a \$150,000 duty-related death benefit, paid from the trust funds, to survivors of PERS, SERS, and TRS plan members who die as a result of injuries sustained in the course of employment.

SERS Substitutes - SB 5094

This legislation allows a substitute school employee to apply to DRS for service credit after the end of the school year during which the work was performed, like substitute teachers. The substitute will be able to obtain service credit by paying the required contribution to the retirement system. The employer will pay the required employer contribution upon notice from DRS that the substitute had made contributions.

TRS Plan 1 AFC - SB 5096/HB 1199

This legislation adjusts the Average Final Compensation (AFC) for TRS Plan 1 members employed by a district that uses an extended school year.

Fish and Wildlife Enforcement Officers into LEOFF - HB 1205

This legislation moves fish and wildlife enforcement officers from PERS 2 or PERS 3 into LEOFF 2 prospectively. Prior service remains in PERS. PERS 1 members remain in PERS.

Governance - SHB 1204

This legislation replaces the current Joint Committee on Pension Policy with the Joint Select Committee on Pension Policy composed of elected officials, stakeholder representatives, employer representatives and the Directors of DRS and OFM.

Fallen Heroes' Survivor Benefit - SB 5100

This legislation provides that pension payments to qualifying beneficiaries of public safety officers who died in the line of duty are not subject to federal income tax, pursuant to recent changes in federal law.

Technical Corrections - HB 1200

This legislation makes necessary technical corrections to retirement statutes including incorrect cross-references, inadvertent omissions of necessary references, and accidental duplication of statutory language. It also codifies current administrative practices and deletes archaic language.

Other Legislation**Death Benefits for PERS, SERS, and TRS - HB 1519**

This legislation provides that the retirement benefits of a member killed in the course of employment are not subject to an actuarial reduction for each year the member would have been eligible for normal retirement. The bill applies retroactively to include any members killed on or after July 1, 2001.

PERS Plan 1 Retire/Rehire - SHB 1829

This legislation provides that a PERS 1 retiree who was separated from employment for less than 90 days before reemployment would have their pension suspended if they work beyond 867 hours. A PERS 1 retiree who was separated from employment for at least 90 days may work up to 1500 hours in a year before their pension is suspended, if they meet other rules regarding the hiring process.

A lifetime limit of 1900 hours is established for PERS 1 retirees. Hours worked each year beyond 867 and up to 1500 count against this limit. When a retiree exceeds their 1900-hour lifetime limit, their pension is suspended if they work beyond 867 hours in a year.

A PERS employee and employer who verbally agree that the employee will resume employment with the same employer following termination may be subject to criminal penalties.

NEW CONTRIBUTION RATES

New contribution rates will go into effect July 1, 2003 for PERS and LEOFF and September 1, 2003 for TRS and SERS. An e-mail was recently sent to employers, which outlined the specific rates. A hard copy of the Employer Notice on rate changes will also reach employers shortly. To access the Employer Notice on Contribution Rate Changes, please go to the DRS Web site at: www.drs.wa.gov/employer/index.htm under Publications.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) PLAN 3 FINAL REPORT

Rachel Nesse, PERS Plan 3 Project Manager, updated the Committee on the final activities occurring on the PERS Plan 3 project. The following are highlights of those activities:

Overall project status

- ◆ This is the last week of the project and DRS has successfully implemented PERS Plan 3!
- ◆ In the communications area, two publications have been distributed:
 - A *PERS Plan 3 Employer Update* and *PERS Plan 3 Transfer Decision News* in April.
 - A *Plan 3 Member Notice* with information about transfer payments and gain sharing in May.
- ◆ On June 2, DRS began applying transfer payments and retroactive gain sharing to eligible Plan 3 Member accounts.
- ◆ The PERS Plan 3 Project was very successful and especially benefited from the input of employers at every level. A special thanks to the employer community for all of their support.
 - The PERS Plan 3 project team used employer facilities, coordination and input to strengthen the seminar program – almost 4,300 seminars have been conducted since Jan 2001.
 - The team used employer feedback to update and improve Web site content, which has had over 80,000 visitors during the life of the project.
 - Most recently, the project team had feedback from employers that the publication for new PERS members could include information for the January transfer eligible population. The communications area spoke with members and other stakeholder groups and the change was unanimously favorable. That publication is now at the printer and will be distributed next month.

Ongoing PERS Plan 3 Activities

- ◆ After the end of the project, DRS will be conducting some follow-up surveys and focus groups to speak to members about the success of the education program.
- ◆ DRS will also be providing ongoing reviews of educational materials to continuously strengthen and improve the program.
- ◆ Feedback and comments from employers are always welcome. Please contact Member Communications at (360) 664-7278 or anyone in Employer Support Services, and they can forward you to Member Communications.

COST EFFECTIVENESS MEASUREMENT BENCHMARKING PRESENTATION

Mark Feldhausen, Budget/Benchmarking Manager, presented the results from the latest Cost Effectiveness Measurement (CEM) study from an employer perspective. CEM is an organization from Toronto, Canada that benchmarks pension system administrations worldwide. This will be the fourth year DRS has participated in the study. The survey tool contained 351 multi-part questions and measured DRS compared to 19 US peer pension systems and to the 43 other participating pension systems. A total of 62 pension systems worldwide participated in the 2003 benchmarking study.

The presentation outlined the 14 activities in which DRS was evaluated, with an emphasis on the collection of contributions and maintenance of service credit data and other employer costs. It also showed how DRS did in comparison to our peer group, in the areas of service levels to members and employers in the administration of our defined benefit programs, as well as our defined contribution programs.

Some highlights included service areas where DRS scored in the top third quartile:

- ◆ A walk-in member waits 13.4 minutes to meet with a counselor – DRS walk-in members wait 4 minutes.
- ◆ A member waits 11 days for a pre-scheduled counseling session – DRS members get in the same day.
- ◆ A caller waits 178 seconds for a knowledgeable person to answer their call – DRS callers wait 39 seconds.
- ◆ A member waits 50 days to receive a cost to purchase service credit – DRS members wait 5 days.

DRS was ranked the third highest in complexity of pension systems and came out in the top third quartile in Information Technology systems. With all factors considered, the study showed that DRS should cost 28% more per member than it actually does. CEM is quoted as stating that Washington's DRS is, "one of the most cost effective pension administrators in the nation."

BUDGET IMPACTS AND FUTURE EMPLOYER DIRECTION DISCUSSION

Chair Nelsen updated the Committee on the affects of the current budget on DRS. DRS is losing ten FTEs in this round of budget cuts, in which at least three are from the Employer Support Services section. DRS will continue to maintain the current level of service that employers have come to expect, but adding new services in the near future will be very difficult to accomplish.

The workload of DRS is anticipated to be increased approximately 45% over the next few years, with the baby boomers approaching retirement age and DRS must focus on how to handle this increase within our current staff levels. Online member account access will be receiving as much focus as is possible by DRS to prepare for this boom of retirement activity.

OPEN DISCUSSION

No items for discussion.

NEXT MEETING

The next EAC meeting is scheduled for September 25, 2003, from 9:30 a.m. to 12 p.m., at the DRS Point Plaza West building, located at 6835 Capitol Boulevard in Tumwater. Please see the map to DRS on the EAC Web site for directions to the facility at:

<http://www.drs.wa.gov/agency/mappage.htm>.

AGENDA ITEMS FOR THE SEPTEMBER 25, 2003

No proposed agenda items.

A confirmed agenda will be available on the Employer Advisory Committee Web site in early September 2003 at <http://www.drs.wa.gov/employer/eac/index.htm>.

PARKING FOR THE MEETINGS

There are visitors' parking spaces located in front of the building. You may also park in any stall that is not marked for another agency such as DSHS or OFM.

QUESTIONS?

If you have any questions, please contact Dave Nelsen at (360) 664-7304, 1-800-547-6657 ext. 47304 or by e-mail at daven@drs.wa.gov.